

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

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June 3, 2003

**FROM: RICHARD N. LARSEN**  
Treasurer/Tax Collector

**SUBJECT: ISSUANCE AND SALE OF TAX AND REVENUE ANTICIPATION NOTES  
FOR FISCAL YEAR 2003-04**

**RECOMMENDATION:**

1. Adopt Resolution No. 2003-\_\_\_ providing for the issuance and sale of the 2003-04 Tax and Revenue Anticipation Notes in an amount not to exceed \$250,000,000, and approving a preliminary official statement, notice of intention to sell, official notice of sale, various agreements for financial advisory, bond counsel and disclosure counsel services, and certain other matters relating thereto.
2. Authorize payment of rating agency fees relating to the notes to Moody's Investors Service and Standard & Poor's Credit Markets Services in an amount not to exceed \$50,000 per agency.

**BACKGROUND:** Since 1981, the county has issued short-term notes in the form of Tax and Revenue Anticipation Notes (TRANS) to finance cash flow shortfalls of the county's general fund. This is done by the county, as well as many other local governments, to address the seasonal mismatch between the receipt of revenues and disbursements for ongoing operations. Expenditures for the general fund such as payroll costs follow a regular, even pattern throughout the year, while receipts follow a much more uneven pattern due primarily to property tax payments which are received in December and April of each year. The proceeds of the TRANS may be used for any purpose for which the county is authorized to expend money, thus allowing the county to cover these temporary cash shortfalls.

The TRANS will be repaid later in the fiscal year from the county's unrestricted cash and revenues, a portion of which are required to be deposited to a special note repayment fund. The county has always met its set-aside obligation on its short-term notes and has always timely paid its principal and interest payments. The notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53830) of the California Government Code.

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As the County did last year, the TRANS will be structured as 12-month notes and will be sold competitively through a formal bid process over the internet, rather than on a negotiated basis with a pre-selected underwriting team. Through this method, the County has been able to reduce its underwriting costs by over \$200,000 per year compared to FY 1998-99 and achieve the lowest possible bids.

The financing team for this issue was selected from the County's existing pool of bond counsel firms and financial advisors by committees composed of representatives from the Treasurer-Tax Collector, County Administrative Office, Auditor/Controller-Recorder, and County Counsel's Office. The financing team is composed of Tamalpais Advisors, Inc. (financial advisor), Quint & Thimmig LLP (bond counsel) and Sidley Austin Brown & Wood LLP (disclosure counsel). These firms were selected based on their knowledge and experience in the California TRANS market, project approach, knowledge of the county and fees.

Although the resolution authorizes a face amount for these TRANS in an amount not to exceed \$250 million, the final sizing of the TRANS will be based on the Auditor/Controller-Recorder's Office's projected cash flows for the General Fund, which are currently being finalized. It is expected that the size of the TRANS will be less than \$250 million, but approval of this amount provides flexibility to the County prior to the sale date should our needs increase based on State budget issues or other unforeseen events. Additionally, this year the attached resolution provides further flexibility to the County by authorizing a second series of TRANS in the event that the State's budget or other external events negatively impacts the County's General Fund cash flows after the sale of the first series. The authorization of \$250 million would apply to the combined total of both series.

The county expects to receive the top credit ratings for this issue from the major credit rating agencies. Debt issues with the top investment-grade credit ratings trade at lower yields than non-rated or lower investment grade issues. Authorization to pay each of these rating services for their ratings is therefore requested.

**REVIEW BY OTHERS:** The Debt Advisory Committee recommended approval of this transaction at its May 14 meeting. This item has been reviewed by the County Administrative Office (Gerry Newcombe, Deputy Administrative Officer) on May 14, 2003, the Auditor/Controller-Recorder (Pat Sharrit, Deputy Chief Controller) on May 14, 2003; and County Counsel (Michelle Blakemore, Deputy County Counsel) on May 14, 2003.

**FINANCIAL IMPACT:** Issuance of the TRANS allows the county to meet temporary cash flow shortfalls during the year. Repayment of the notes will be made from general fund cash and revenues via a special note repayment trust fund.

**COST REDUCTION REVIEW:** The County Administrative Office has reviewed this proposed action and concurs that it is necessary and appropriate. The issuance cost of these notes will be offset by allowable interest earnings on the proceeds, resulting in no impact on the General Fund.

**SUPERVISORIAL DISTRICTS:** All

**PRESENTER:** Mark Mathers, Cash Manager/Investment Officer, 387-6374

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